

Message Text

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70

ACTION EB-07

INFO OCT-01 AF-06 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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R 101107Z FEB 76

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 1103

INFO AMEMBASSY ABU DHABI

AMEMBASSY CAIRO

AMEMBASSY DOHA

AMEMBASSY JIDDA

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SUBJECT: COMMENTS ON ARAB FUND/SUDAN AGRICULTURE PROGRAM

REF: KUWAIT 0438, KUWAIT 0435

BEGIN SUMMARY: POTENTIAL MAJOR SIGNIFICANCE ARAB FUND/
SUDAN AGRICULTURE PROGRAM WARRANTS CLOSE USG ATTENTION.
OUR CURRENT POLICY "HOLDS," AND EXIM'S RELUCTANCE INCREASE
ITS MODEST EXPOSURE, HURT US FIRMS IN SEEKING MAXIMIZE
THEIR PARTICIPATION IN SUCH MAJOR SCHEMES. IN TERMS OUR
OVERALL INTERESTS HERE, IT WOULD BE MISTAKE FOR US
CONTINUE TREAT COUNTRY WITH SUCH VAST POTENTIAL AS JUST
ANOTHER NEAR-BANKRUPT LDC. END SUMMARY.

1. APPRECIATE INFO REFTELS, WHICH CORROBORATES AND
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EXPANDS ON OUR REPORTS (75 KHARTOUM A-90, 75 KHARTOUM

1921) AND UNDERLINES THAT PROPOSED ARAB FUND PROGRAM FOR SUDAN'S AGRICULTURE COULD VERY WELL BECOME REALITY.

2. FULLY AGREE THAT PROGRAM POTENTIALLY OF GREAT SIGNIFICANCE, WARRANTING CLOSE USG ATTENTION. WHILE IMPLEMENTATION AS ENVISAGED COULD PRESUMABLY HAVE SOME ADVERSE EFFECT ON US FARM COMMODITY EXPORTS TO NEARBY ARAB STATES, THERE POSSIBILITY OF SUBSTANTIAL COUNTER-VAILING CAPITAL EQUIPMENT SALES FOR INFRASTRUCTURAL AND PRODUCTIVE PROJECTS PLANNED UNDER ARAB FUND PROGRAM.

3. PROBLEM AS WE SEE IT IS THAT OUR CURRENT POLICY ON AID TO SUDAN AND EXIM'S RELUCTANCE INCREASE ITS MODEST EXPOSURE WILL SEVERELY LIMIT CAPABILITY U.S. FIRMS TO WIN SHARE OF ARAB FUND PIE COMMENSURATE WITH THEIR TECHICAL AND MANAGERIAL TALENTS. COMPETITOR COUNTRIES SUCH AS U.K., FRG, FRANCE AND BELGIUM, WHILE FULLY AWARE OF SUDAN'S PRESENT BALANCE OF PAYMENTS DIFFICULTIES, HAVE OBVIOUSLY DECIDED THAT COUNTRY'S LONG-TERM PROSPECTS ARE SUFFICIENTLY BRIGHT TO MERIT COMMITMENTS OF AID AND/OR EXPORT CREDITS WHICH DWARD U.S. EXPOSURE. IN SO DOING, THEY NOT ONLY LAY GROUNDWORK FOR SUSTAINED MARKET PENETRATION, BUT THEY ALSO MANAGE TO LEVERAGE THEIR ASSISTANCE WITH "NEUTRAL" MONEY NOW ENTERING SUDAN IN LARGE AMOUNTS. IT IS UNREALISTIC FOR US TO THINK THAT ARAB FUND WILL IGNORE ADVANTAGES OF AGGREGATING WEST EUROPEAN AID WITH ITS OWN MERELY TO BUY AMERICAN (HOWEVER ADMIRERED OUR PRODUCTS ARE).

4. BELIEVE PAST SUCCESSES IN OUR EXPORTS (75 KHARTOUM 2903) STEM LARGELY FROM MAJOR ONE-TIME PURCHASES (BOEINGS, LOCOMOTIVES, WHEAT) AND FROM WILLINGNESS U.S. PRIVATE BANKS ACCEPT SUDAN RISK TALLING SOME \$100 MILLION (ABOUT FOUR TIMES EXIM'S EXPOSURE). SOME EXAMPLES, NOTABLY PAGE MICROWAVE PROJECT (75 KHARTOUM 0309) AND IMPORTANT COMPONENTS OF KHARTOUM HILTON, HAVE DEMONSTRATED POSSIBILITY OF TAPPING ARAB MONEY WITHOUT USG ROLE. FAR MORE LIKELY TO BE LIMITED OFFICIAL USE

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NORM, HOWEVER, ARE KENANA AND RAHAD PROJECTS. IN FORMER, LACK OF ACCEPTABLE U.S. FINANCING LED DIRECTLY TO MAJOR LOSS OF EXPORTS AND REDUCTION IN ROLE OF U.S. ENGINEERING FIRM ARKEL; IN LATTER, BY CONTRAST, U.S. (WITH CONTRIBUTION OF ONLY \$11 MILLION, COMPARED TO IDA'S \$63 MILLION, KUWAIT'S \$50 MILLION, SAUDI FUND'S \$28 MILLION AND ARAB FUNDS \$15 MILLION) STILL IS ONLY "UN-NEUTRAL" SOURCE OF FINANCING IN PROJECT

AND, AS SUCH, ENJOYS CERTAIN ADVANTAGES (WHICH WE HAVE NOT NECESSARILY EXPLOITED) WITH RESPECT TO RAHAD CORP. PROCUREMENT DECISIONS. (WE ATTEMPTING ASCERTAIN WHAT PORTION OF \$155 MILLION IN NON-USAID FOREIGN EXCHANGE COMPONENT OF RAHAD COST IS GOING TO U.S. FIRMS.)

5. IN EFFORT, AMONG OTHER THINGS, EXPLORE MORE THOROUGHLY U.S. EXPORT GENERATION POSSIBILITIES OF PROJECTS FINANCED BY VARIOUS ARAB FUNDS IN SUDAN (OR ELSEWHERE), WE AGAIN STRONGLY URGE EXIM BANK REP VISIT KHARTOUM IN NEAR FUTURE. BELIEVE ARAB FUND REALLY PUT SUDAN IN UNIQUE POSITION AND WE WOULD BE GREATLY MISTAKEN TO CONTINUE TO TREAT THIS HUGE COUNTRY WITH ITS VAST AGRICULTURAL AND MINERAL POTENTIAL AS JUST ONE MORE NEAR-BANKRUPT AFRICAN LDC. BREWER

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